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2006 ANNUAL REPORT

A REPORT ON THE ACTIVITIES OF THE WEST VIRGINIA ATTORNEY GENERAL'S CONSUMER PROTECTION AND ANTITRUST DIVISIONS

I.

FOREWORD

Attorney General Darrell V. McGraw, Jr., submits this report to the Governor and Legislature of West Virginia pursuant to West Virginia Code § 46A-7-102(4)(2006). This report outlines the education, mediation, and enforcement activities of Attorney General McGraw's Consumer Protection and Antitrust Divisions from November 20, 2005 through November 19, 2006.

II.

INTRODUCTION

Attorney General McGraw's Consumer Protection and Antitrust Divisions operate under the direction of one Deputy Attorney General. The Divisions are responsible for enforcing the West Virginia Consumer Credit and Protection Act, W. Va. Code § 46A-1-101 et seq.; the West Virginia Antitrust Act, W. Va. Code § 47-18-1 et seq.; and the Preneed Funeral Contracts Act, W. Va. Code § 47-14-1 et seq. There are five Assistant Attorneys General assigned to the two Divisions. One attorney is assigned full-time to enforce the Antitrust Act, one attorney is assigned half-time to the Preneed Funeral Unit, and the remaining lawyers on staff are responsible for enforcing the West Virginia Consumer Credit and Protection Act (the Act). During this reporting period, the Division received \$69,409,945.62 in refunds, debt cancellation, value received, and funds for consumer education for the State and its citizens. (See Exhibits 1 and 2.)

III.

CONSUMER EDUCATION

The mission of Attorney General McGraw's Consumer Protection Division is to protect West Virginia citizens from those that would harm them. Undoubtedly, the best protection is education and the Division embarks each year on educating consumers about the latest scams, consumer fraud, and abuse.

Recently, the Attorney General hired four new field representatives to educate West Virginians about their rights as consumers and about the services his Consumer Protection Division offers. The representatives will be located in Charleston, in the northern panhandle, in the eastern panhandle, and in Morgantown. In addition, all six attorneys in the Division spent countless hours spreading the consumer protection word. This year alone, the lawyers spoke before 54 different organizations.

In March 2006, the Attorney General began his investigation into a company operating under the name Global Capital Solutions. Global Capital Solutions purported to be located at 180 Capital Street, Charleston, West Virginia - an address that does not exist. Global was offering loans on the Internet.

After a consumer submitted his loan application online, he would receive a telephone call from a Global representative. Global told consumers they were approved for loans through "private lenders," individuals willing to invest their money by making small loans to consumers. Global also told consumers that before they could receive any loan proceeds they must wire lump sum advanced payments by Western Union to the private lender. All of the "private lenders" were located in Canada. Global told the consumers that their loan proceeds would be direct deposited into their bank accounts after their deposit was received. After wiring their advanced payments, consumers did

not receive the loan proceeds and Global stopped responding to their telephone calls and emails.

Working in conjunction with Allan D. Weiss, a solicitor and barrister in Toronto, Canada, the Attorney General was able to get Global Capital Solutions' toll free telephone number - 1-800-228-9861 - disconnected. The Attorney General also shut down Global's website - Global-Capital-Solutions.com. Any consumer accessing the site after the Attorney General shut it down was alerted to Global's fraudulent activities and redirected to the Attorney General's website for more information. West Virginia was the first state to successfully shut down a Canadian scamster's website and telephone number.

While conducting his investigation into Global Capital Solutions, the Attorney General discovered five other identical advance fee loan scams. These scams were being operated under the names Financial Group Advisors, World One Lending, State Consolidation Group, North American Financial Services and New Balance Express, which also falsely claimed to be located in West Virginia. The Attorney General was also successful in shutting down the websites used by these fraudulent businesses.

Another new initiative launched by the Attorney General this year, in partnership with the AARP Foundation, was the ElderWatch program. ElderWatch is dedicated to providing protection for West Virginia's older consumers who have been victims of fraud. One of the services offered by ElderWatch is assisting consumers who want help filling out the complaint form. Specifically, when a consumer calls the Division, he is asked if he is over the age of 50. If he is, the receptionist transfers the call to an AARP volunteer who fills out the form for the consumer over the telephone. Since its launch on February 1, 2006, ElderWatch has helped more than 3,200 West Virginia consumers. ElderWatch volunteers have contributed more than 3,600 hours of service.

The Division's efforts have not gone unnoticed. In June 2006, West Virginia Attorney General Darrell V. McGraw, Jr., and the Attorney General's Consumer Protection Division were selected as top winners in the annual Achievement in Consumer Education (ACE) awards ceremony held by the National Association of Consumer Agency Administrators (NACAA) in Seattle, Washington. The award recognized the Attorney General's "Older Consumer Safety Campaign," in partnership with The United States Consumer Product Safety Commission (CPSC) and the West Virginia Bureau of Senior Services. During the campaign, staff members from the Division, the West Virginia Bureau of Senior Services, and the CPSC visited senior centers throughout the State presenting a program that was designed to curb the recent epidemic of physical injuries sustained by senior citizens.

Also recognized nationally was the Division's Deputy Attorney General, Jill Miles. Ms. Miles was elected President of NACAA at the organization's annual meeting. NACAA members are front-line public and private advocates who work to solve consumer problems, prosecute offenders, advance consumer-friendly legislation, and educate the public. NACAA members include over 160 government agencies and 50 corporate consumer offices worldwide. Ms. Miles will serve a two-year term.

IV.

MEDIATION

The backbone of the Division's efforts – and its successes – is its mediation process. If a consumer has a dispute with a business, he can call the Division's toll-free hotline at 1-800-368-8808. If a consumer calls, a written complaint form and instructions are sent to his home. The complaint form is also available on the Division's website at www.wvago.us.

When the complaint form is returned, it is assigned to a mediator, who contacts the business on behalf of the consumer requesting a response to the complaint. The mediation process is voluntary, but the intent is to reach a settlement satisfactory to both parties. The amount of money saved by consumers and businesses in litigation costs as a result of mediation cannot be known, but it must surely be substantial.

The sheer volume of the Division's mediation activity attests to its utility. During the reporting period, the Division received 9,766 complaints. (See Exhibits 1, 2 and 3.) The most common complaints involved credit and automobiles. (See Exhibit 4.) Of the complaints pending at the beginning of or received during the reporting period, the Division closed 10,830. As a result of the Division's mediation efforts, consumers received approximately \$546,228.17 in cash refunds, and \$1,641,500.72 in debt cancellation and value for products and services received. The total amount received in mediation was \$2,187,728.89.

V.

ENFORCEMENT PROCEEDINGS

When mediation is unsuccessful, the consumer's complaint is reviewed by the Deputy Attorney General who decides whether to refer the file to a staff attorney. Often a simple letter from the attorney to the business will prompt a result acceptable to all parties. If mediation does not resolve the matter, the staff attorney, in consultation with the Deputy, may initiate an investigation.

A.

LITIGATION

Following a pre-complaint investigation, the Attorney General can file suit against a company pursuant to W. Va. Code §§ 46A-7-108 through -111(2006) and petition the Court to enjoin the company from doing business illegally in West Virginia. The Attorney General can also obtain restitution for consumers, monies for consumer education, investigation and court costs, attorney fees, and civil penalties. During this reporting period, Attorney General McGraw recovered \$54,713,035.29 through consumer protection litigation. (See Exhibits 1 and 2.) Identified below are the cases that Attorney General McGraw's Consumer Protection Division had in litigation during the 2006 reporting period.

1.

**Darrell V. McGraw, Jr., Attorney General, ex rel. State of West Virginia;
the West Virginia Public Employees Insurance Agency; and
the West Virginia Department of Health and Human Resources
v. The American Tobacco Company, et al.
(Civil Action No. 94-C-1707 - Circuit Court of Kanawha County)**

Attorney General McGraw has previously reported a settlement reached between West Virginia, 45 states, the 4 original participating manufacturers, and dozens of subsequent participating manufacturers. Pursuant to the terms of that settlement, West Virginia is scheduled to receive \$1,736,741,427.33^{*1} over 25 years and thereafter \$70,000,000.00* per year (adjusted upward for inflation and downward for market share loss as necessary) as long as the Defendant manufacturers or their successors or assigns remain in business.

In addition to the sums set forth above, West Virginia will receive another \$196,087,655.47* payable beginning in 2008, separate from and in addition to, the regular yearly settlement payments. These additional funds were awarded to West Virginia in recognition of the key role that Attorney General McGraw played in the nationwide tobacco litigation. The additional payment of \$196,087,655.47* is almost four times the amount West Virginia would have received under the standard distribution formula established in the Master Settlement Agreement.

Through November 30, 2005, the State has collected \$422,048,840.00* in payments since the execution of the Master Settlement Agreement (MSA). During this year's reporting period, West Virginia received \$51,863,412.00 under the terms of the MSA. West Virginia will receive its next payment on April 15, 2007.

¹ Monies that are followed by an * were not counted during this reporting period.

On April 15, 2007, participating manufacturers may withhold \$1,100,000,000.00 from their annual MSA payment. If these monies are withheld, each state's share would be reduced by 18.6%, reducing West Virginia's share by approximately \$10,000,000.00. The withholding issue is the subject of intense litigation currently ongoing in 46 states, including a lawsuit in the Circuit Court of Kanawha County.

2.

State ex rel. Darrell V. McGraw, Jr. v. Purdue Pharma, LP, et al.
(Civil Action No. 01-C-137-S - Circuit Court of McDowell County)

On June 11, 2001, Attorney General McGraw sued Purdue Pharma, LP, Purdue Pharma, Inc., Purdue Frederick Company, Abbott Laboratories, and Abbott Laboratories, Inc. alleging various product liability claims, as well as consumer protection and antitrust violations. The Defendants manufacture and distribute OxyContin, which is a drug used for chronic pain relief. OxyContin has been widely abused and is frequently crushed to be either inhaled or injected.

In his complaint, Attorney General McGraw alleged that the Defendants made false, deceptive, and misleading representations about OxyContin and failed to disclose material facts in its marketing of the drug to physicians and the general public. The Attorney General further claimed that the Defendants failed to use reasonable care in the manufacturing, marketing, and distribution of OxyContin.

The case settled on November 4, 2004. Under the terms of the agreement, the Defendants will pay the State a total of \$10,000,000.00* over four years. The State received its first payment of \$2,500,000.00* on December 15, 2004. The second

payment of \$2,500,000.00 was received in December 2005. The settlement money is earmarked for education and addiction rehabilitation services.

3.

State ex rel. Darrell V. McGraw, Jr. v. Ameriquest Mortgage Company, et al.
(Civil Action No. 06-C-519 - Circuit Court of Kanawha County)

On March 21, 2006, the Attorney General joined 49 states in a multistate settlement with Ameriquest Mortgage Company (Ameriquest) and its parent company, ACC Capital Holdings Corp. (ACCCH), both headquartered in Orange, California. The states commenced an investigation of Ameriquest and ACCCH after receiving numerous complaints that the companies had engaged in a nationwide pattern of predatory lending practices, including deceiving consumers about the terms of their loans, falsifying appraisals, encouraging consumers to borrow more money than they could afford to repay, and forgery of loan documents.

Under the terms of the settlement, Ameriquest and ACCCH promised to pay \$295,000,000.00* as restitution to consumers across the nation who were aggrieved by the companies' predatory lending practices along with an additional \$30,000,000.00* to the states for consumer protection and other educational purposes. The State of West Virginia received \$125,000.00 as its proportionate share of the settlement money.

4.

State ex rel. Darrell V. McGraw, Jr. v. Imperial Marketing, et al.
(Civil Action No. 94-C-243 - Circuit Court of Kanawha County)

Attorney General McGraw originally filed this case in 1994 against 106 companies that conducted sweepstakes contests by direct mail or by telephone in violation of the

West Virginia Prizes and Gifts Act, W. Va. Code § 46A-6D-1, et seq. All of the companies have stopped doing business illegally in West Virginia. Only one Defendant, Seta Corporation, remained as of the last reporting period. In September 2005, the Court granted the State's motion for summary judgment. Seta appealed the decision to the West Virginia Supreme Court of Appeals. On July 19, 2006, before the Court rendered its decision, the case settled for \$50,000.00.

5.

State ex rel. Darrell V. McGraw, Jr. v. H & H Windows Unlimited, Inc.
(Civil Action No. 03-C-3075 - Circuit Court of Kanawha County)

H & H Windows Unlimited, Inc. located in Morgantown, West Virginia, manufactures, supplies, and installs vinyl insulated windows. In early 2003, the Division began investigating H & H because it received complaints that H & H sold defective windows and did not replace them under the company's lifetime warranty. In March 2003, H & H entered into an Assurance of Discontinuance with the State. The Assurance obligated H & H to repair or replace the defective windows for all consumers who had filed complaints with the Division and to honor all future claims made by consumers under its lifetime warranty.

In December 2003, the Division filed suit against H & H because it had violated the terms of the Assurance. In January 2004, the State and H & H settled the lawsuit and H & H agreed to complete all past due repairs by February 16, 2004. H & H also agreed to resolve all future complaints within 120 days after receiving them from the Division. During this reporting period, 40 consumers have received replacement windows or repairs to their existing windows for a total value of \$60,232.00

6.

State ex rel. Darrell V. McGraw, Jr. v. Air Doc Services & Supply Company, et al.
(Civil Action No. 05-C-414 - Circuit Court of Mercer County)
(Case No. 05-10819 - U.S. Bankr. S.D. W. Va.)

On June 28, 2005, the Attorney General sued Glenda Marlene Gibson and Richard Gibson, individually and d/b/a Air Doc Services and Air Doc Services & Supply Company (Air Doc), heating and cooling contractors operating in Princeton, West Virginia. In the complaint, the State alleged Air Doc took money from consumers and failed to provide all the goods and services purchased. On September 22, 2005, the Circuit Court enjoined Air Doc from engaging in new contracting business.

A month later, Air Doc filed Chapter 7 bankruptcy. After the bankruptcy was discharged, the Gibsons entered into a consent order that prohibits them from operating as a contractor in the State of West Virginia. The Gibsons also refunded several consumers for a total amount of \$29,564.50.

7.

State ex rel. Darrell V. McGraw, Jr. v. Wholesale Used Cars, Inc.
(Civil Action No. 03-C-2839 - Circuit Court of Kanawha County)

Wholesale Used Cars, Inc. was a “buy here – pay here” used auto dealer located in Charleston, West Virginia. In November 2003, the Division sued Wholesale and its officers, Charles and Jeryl Parker. Consumers complained that Wholesale sold them used vehicles that became inoperable shortly after purchase. Review of Wholesale’s loan documents revealed numerous additional violations, including disclaiming the implied warranty, asserting a right to collect a late fee before expiration of the 10-day grace period, charging late fees that exceeded the statutory maximum, and failing to comply

with the Truth in Lending Act, 15 U.S.C. § 1638 et seq. At a preliminary injunction hearing on January 9, 2004, Wholesale agreed to stop financing cars until its loan documents complied with the requirements of state and federal law.

On October 11, 2005, the Court ordered the Defendants to pay \$28,616.34* in consumer restitution and \$28,616.34* in civil penalties, both payable in monthly installments. When the Defendants made no payments on the judgment, the Division petitioned the Court to hold them in contempt and make the entire judgment payable immediately. The Court granted the requested relief.

The Division then filed claims against the surety companies that had posted the dealership's bond during the four years at issue. The Division recovered a total of \$22,643.50 from the bond companies and \$154.00 in cash from Charles Parker. The \$22,887.50 was distributed to 14 consumers.

8.

State ex rel. Darrell V. McGraw, Jr. v. Mountaineer Roofing & Siding, Inc., et al.
(Civil Action No. 06-C-946 - Circuit Court of Kanawha County)

On May 17, 2006, Attorney General McGraw sued Mountaineer Roofing & Siding, Inc., and its owner/operator, Dana Sanders, for violating the Act. Mountaineer Roofing & Siding is a contracting business that operates primarily in Kanawha and Putnam Counties. The Division alleged violations regarding failure to complete agreed upon work, failure to honor warranties, failure to comply with the home solicitation rule, and failure to comply with home improvement rules governing contractors. In some instances, the Defendants took deposits from consumers and did not do any of the promised work.

On June 13, 2006, a hearing was scheduled on the Division's petition for a temporary injunction and request that Mountaineer Roofing be required to post a bond. Just prior to commencement of the hearing, Mountaineer Roofing agreed to cease from engaging in any further unfair or deceptive acts or practices. Additionally, the Defendants were ordered to post a \$25,000.00 bond with the Court. If the Defendant commits any future unfair or deceptive acts or practices, the money will be forfeited to the State.

The parties are currently engaged in discovery, and the Attorney General plans to file a motion for summary judgment. A scheduling order has been entered, and the trial date is set for May 21, 2007.

9.

State ex rel. Darrell V. McGraw, Jr. v. William R. Hague, et al.
(Civil Action No.: 05-MISC-436 - Circuit Court of Kanawha County)

On October 26, 2005, the Attorney General sued William R. Hague, Inc., d/b/a Hague Quality Water International (Hague) and its principals after Hague failed to comply with an investigative subpoena issued by the Division. Hague objected to the subpoena on jurisdictional and other grounds.

After the issues were exhaustively briefed by the parties, the Circuit Court of Kanawha County issued a final order holding that the Attorney General had jurisdiction over Hague and his subpoena had been properly served. As a result of its decision, the Court ordered Hague to fully comply with the subpoena.

After the Court's ruling, the Attorney General negotiated a formal settlement agreement. Under the terms of the agreement, Hague promised to take reasonable steps to ensure that its West Virginia dealers complied with state and federal consumer

protection laws. Hague also promised to direct its dealers to refrain from financing sales on private label revolving charge accounts. Hague paid \$10,000.00 to the State, \$5,000.00 of which was distributed to a couple who were aggrieved by the actions of a now-defunct dealer, Hague of Pittsburgh.

10.

State ex rel. Darrell V. McGraw, Jr. v. Carl Crowder, et al.
(Civil Action No. 05-C-88 - Circuit Court of Kanawha County)

On January 13, 2005, the Division sued Carl Crowder and Source Sales, d/b/a Carl Crowder's Outlet Auction. On February 7, 2005, the Attorney General settled the case. Under the terms of the settlement, consumers nationwide received \$13,657.57* in refunds, and the State will receive an additional \$3,500.00 in civil penalties. Crowder agreed to pay \$1,000.00 a month until the debt is satisfied. During this reporting period, Crowder paid the State \$8,667.99.

11.

State ex rel. Darrell V. McGraw, Jr. v. Greg Maynor,
individually and d/b/a Greg's Tree Service
(Civil Action No. 01-C-622 - Circuit Court of Kanawha County)

In 2001, the Division sued Greg Maynor d/b/a Greg's Tree Service (Maynor), and secured a permanent injunction barring Maynor from defrauding consumers while operating a tree-clearing service. By order of the Circuit Court of Kanawha County, Maynor was prohibited from asking for payment in advance of performing services. After this order was entered, additional consumers came forward and complained that Maynor had asked for thousands of dollars in advance payments to cut and clear trees, and then

disappeared without finishing the work. The Division filed a petition for contempt against Maynor in July 2006. Maynor eventually resolved the matter by paying restitution to consumers in the amount of \$5,480.00.

12.

State ex rel. Darrell V. McGraw, Jr. v. Huey Small d/b/a H & S Paving, et al.
(Civil Action No. 97-C-1041 - Circuit Court of Kanawha County)

In 1998, the Division put a stop to a paving scam that was operated by Huey Small, of Mercer County, who had defrauded scores of West Virginians by approaching them at home and promising a good price on “leftover” asphalt. Although the paving work was always substandard, Small’s band of workers would refuse to leave consumers’ homes until they had coerced them to pay large sums of money. The Division sued Small, and the Circuit Court of Kanawha County ordered him to pay \$125,458.00* in consumer restitution.

Small disobeyed the Court’s orders to pay restitution, and the Court jailed him for contempt. Finally, Small was released when he agreed to pay off his debt to consumers in monthly installments. The Division has collected \$3,500.00 during the reporting period.

13.

State ex rel. Darrell V. McGraw, Jr. v. Precision Windows and Doors, LLC, et al.
(Civil Action No. 06-C-0699 - Circuit Court of Kanawha County)

In the fall of 2005, the Attorney General began receiving complaints against Precision Windows and Doors, LLC (Precision Windows) and Brian Lanham, the contractor who worked under Precision Windows’ contractor’s license. Precision

Windows sold home improvement goods and services, including doors, windows, and siding.

Consumers complained that they had paid Precision Windows deposits of between \$500.00 and \$1,900.00 and the company never returned to do the work. One consumer complained that Precision Windows started working at her home, but left before completing the job. This consumer had to hire another local contractor to finish the work. None of these consumers were given a notice of their three-day right to cancel as required by law.

On May 22, 2006, an agreed order was entered in the Circuit Court of Kanawha County between the State and Precision Windows. Under the terms of the order, all consumers who filed complaints with the Attorney General prior to April 17, 2006 would receive refunds. Precision Windows also agreed to provide refunds for consumers who filed a complaint by June 1, 2006, if they provided written proof of their loss. Precision Windows and its owner, Jamie Crawford, agreed to cease doing business as home improvement contractors until all complaints were resolved, and after they had posted a bond of \$10,000.00 with the Contractor Licensing Board. Consumers received refunds totaling \$3,978.50.

14.

State ex rel. Darrell V. McGraw, Jr. v. Christopher Scott Long, et al.
(Civil Action No. 04-C-818 - Circuit Court of Kanawha County)

The Division began investigating Christopher Scott Long and his wife, Cari Long, doing business as Countertops Plus, after receiving numerous complaints from consumers in Cabell, Lincoln, and Putnam Counties. The Longs ran their custom

cabinets business from a location in Cabell County, West Virginia. Consumers complained that they had paid Countertops Plus a deposit or paid in full for the purchase and the Longs never delivered the merchandise or completed installation.

The Longs entered into an agreed final order with the Attorney General on July 19, 2004, wherein they agreed to pay 10 consumers \$9,646.13* in restitution. The amount received by the Attorney General during this reporting period was \$3,046.13.

15.

State ex rel. Darrell V. McGraw, Jr. v. Appalachian Heating and Cooling, Inc., et al. **(Civil Action No. 06-C-1089 - Circuit Court of Kanawha County)**

The Division began its investigation into unlawful advertising by unlicensed contractors in May 2006. As a result of this investigation, the Division discovered that four contractors had advertised a contractor's license number in the April 2006 Verizon Yellow Pages when they did not, in fact, have a valid contractor's license. On June 8, 2006, the Attorney General filed a lawsuit alleging false advertising in violation of the Act.

Hess Roofing Company, Inc. and Ella Jane Hess, its president, obtained a contractor's license on July 3, 2006, and were dismissed from the lawsuit. On August 9, 2006, the Attorney General obtained judgment against M.L. Perry Heating and Cooling, Inc. and its president, Jodie Perry; and against Timothy M. Romeo and Terry W. Romeo. In its ruling, the Circuit Court of Kanawha County prohibited these Defendants from conducting business as contractors until such time as they provided the Attorney General with proof that they had obtained valid licenses from the Contractor Licensing Board and pay a \$1,000.00* civil penalty. M.L. Perry Heating and Cooling and its president, Jodie Perry, have complied with the order and paid the \$1,000.00 civil penalty. The State plans

to file a petition for contempt against Timothy and Terry Romeo. Proceedings against Appalachian Heating and Cooling, Inc., and its president, Larue Causey, are pending.

16.

State ex rel. Darrell V. McGraw, Jr. v. Brian D. Griffith
d/b/a Healthy Inspirations of Charles Town and Martinsburg, et al.
(Civil Action No. 06-C-409 - Circuit Court of Berkeley County)

On June 9, 2006, the Attorney General sued Brian D. Griffith and Griffith Investments, Inc., d/b/a Healthy Inspirations of Charles Town and Martinsburg (Healthy Inspirations) in the Circuit Court of Berkeley County to enforce their obligations arising from an Assurance of Discontinuance entered into with the Attorney General on April 6, 2005. In the Assurance, Healthy Inspirations had promised to refrain from engaging in a wide range of violations of the Act, pay \$1,000.00* to the State, and refund \$5,917.49* owed to 8 West Virginia consumers who had been aggrieved by its practices. Healthy Inspirations defaulted on its obligations after paying only \$550.00.*

At a hearing on September 22, 2006, the Court awarded the Division a judgment for the total amount owed, \$6,805.53,* against Griffith Investments, Inc. and Brian D. Griffith, personally. Mr. Griffith commenced making payments on the amount owed and has paid \$850.00 during this reporting period.

17.

State ex rel. Darrell V. McGraw, Jr. v. Alyon Technologies, Inc., et al.
(Civil Action No. 03-C-1197 - Circuit Court of Kanawha County)

On May 20, 2003, the Division sued Alyon Technologies, Inc. and its CEO, Stephane Touboul, for violating the Act. In its complaint, the Division alleged that the

Defendants used computer technology to capture and track telephone numbers of consumers who allegedly went to a pornographic website. Many consumers were billed who had not visited the site, did not own computers, or did not have Internet service.

In August 2003, the Division and the Defendants reached an agreement in which the Defendants agreed not to collect any of the alleged debts owed by West Virginia consumers and to block all telephone calls originating from West Virginia. In April 2005, Alyon agreed to pay the State \$5,000.00* in 6 installments. The State received a partial installment of \$416.67 during the reporting period.

18.

State ex rel. Darrell V. McGraw, Jr. v. Check Investors, Inc., et al.
(Civil Action No. 03-C-1161 - Circuit Court of Kanawha County)

On May 15, 2003, the Division sued Check Investors, Inc., a New Jersey collection agency, Barry Sussman, its owner, and several of its principals, d/b/a National Check Control. Specifically, the suit alleged that the Defendants threatened to arrest and prosecute consumers unless payment for alleged bad checks plus \$130.00 in additional unlawful collection fees was wired to the company within 24 hours. National Check Control also refused to verify debts when disputed by consumers, and was not licensed to do business in West Virginia.

On June 19, 2003, the Circuit Court of Kanawha County enjoined National Check Control from any debt collection activities in West Virginia until further order of the Court. No trial has been set, but the injunction against National Check Control remains in effect. On July 15, 2006, the Federal Trade Commission (FTC) obtained a \$10,200,000.00*

judgment against National Check Control for its unlawful activities nationwide. The FTC credited West Virginia for assisting in its case.

19.

State ex rel. Darrell V. McGraw, Jr. v. Johnson & Johnson, et al.
(Civil Action No. 04-C-156 - Circuit Court of Brooke County)

In August 2004, the Attorney General filed a lawsuit against Johnson & Johnson, Janssen Pharmaceutica Products, LP and Janssen Pharmaceutica, Inc. These companies manufacture Risperdal, a prescription drug used for certain mental illnesses, and Duragesic, a narcotic pain reliever absorbed through a skin patch. The State alleged that the Defendants had misled and misrepresented to doctors the risks and benefits of these drugs. During the reporting period, the trial court ruled the Attorney General could hire outside counsel to litigate the case. The Defendants have appealed that ruling. The appeal is set for argument in January 2007.

20.

State ex rel. Darrell V. McGraw, Jr. v. Eli Lilly and Company
(Civil Action No. 06-C-31 - Circuit Court of Mason County)
(Case No. 3:06-cv-00298 - U.S.D.Ct. Southern District of West Virginia)
(MDL-1596 - U.S.D.Ct. Eastern District of New York)

In February 2006, the Attorney General sued Eli Lilly and Company, of Indianapolis, Indiana, a manufacturer of prescription drugs. Eli Lilly and Company was sued for its deceptive marketing of the atypical, anti-psychotic drug, Zyprexa, which is approved for use for certain mental illnesses.

The Attorney General alleged that Eli Lilly and Company misled and misrepresented the risks and benefits of Zyprexa to doctors who then prescribed the

medicine. Shortly after the complaint was filed, the matter was removed to federal court which then sent the case to Multi District Litigation in Brooklyn, New York.

21.

State ex rel. Darrell V. McGraw, Jr. v Apple Fast Cash Personal Loans, et al.
(Civil Action No. 06-MISC-437 - Circuit Court of Kanawha County)

On November 6, 2006, the Attorney General filed suit in the Circuit Court of Kanawha County against 14 Internet payday lenders to enforce investigative subpoenas and to enjoin their usurious lending activities in West Virginia.² “Payday loans” are short-term loans or cash advances, typically for 14 days, secured by a post-dated check, or, in the case of Internet payday lenders, secured by an agreement authorizing an electronic debit for the full loan amount plus interest from the consumer’s account. The West Virginia Lending and Credit Rate Board limits interest rates in consumer loans to 18% per annum. The loans made by the Internet payday lenders sued by the Attorney General have interest rates ranging from 600% to more than 800% per annum and, therefore, such loans are usurious as a matter of law. The Division is waiting for a hearing date to be scheduled by the Court.

² The 14 Internet payday lenders are as follows: Apple Fast Cash Personal Loans; Cash Advance Network, Inc.; Cash Advance USA; Cash Advance Marketing, Inc. d/b/a Cash Back Values; Cash Net; American Interweb Marketing d/b/a CASHRebateOnLine.com; Leads Global, Inc. d/b/a Cash Today Limited, and d/b/a Cash2day4you.com; GECC d/b/a Cashdirectnow.com; Americash Hotline, LLC d/b/a Direct Cash Express, LLC; Magnum Cash Advance, Inc.; Ambassador Financial Services d/b/a Nationwide Cash; PayDay OK d/b/a PayDay Select; Quik Payday.com Financial Solutions; and USA Cash Center.

22.

Medco Health Solutions, Inc., et al.
v. West Virginia Public Employees Insurance Agency
(Civil Action No. 02-C-2769 - Circuit Court of Kanawha County)

On October 25, 2002, the West Virginia Public Employees Insurance Agency (PEIA) was sued by Medco Health Solutions, Inc. and Medco Health Prescription Solutions, LLC (Medco). The complaint alleged that PEIA had not paid all sums owing under its pharmacy benefits management contract with Medco and had not paid Medco all sums owing. PEIA filed a counterclaim and third-party complaint. In December 2003, Medco's motion to dismiss the counterclaim and third-party complaint was denied in part and granted in part. The matter is proceeding with discovery.

23.

State ex rel. Darrell V. McGraw, Jr., et al. v. Medco Health Solutions, Inc., et al.
(Civil Action No. 02-C-2944 - Circuit Court of Kanawha County)

On November 13, 2002, the Attorney General and PEIA sued Medco Health Solutions, Inc. and others, claiming that the company's pharmacy benefits manager and its affiliated companies had used misleading and deceptive representations in securing the pharmacy benefits management contract with PEIA. The lawsuit also alleged that Medco engaged in fraud, tortious interference with the business relationship, and breach of contract. PEIA and the Attorney General are seeking restitution, punitive damages, civil penalties and costs. The case is pending.

24.

State ex rel. Darrell V. McGraw, Jr., Attorney General, and Joseph Cicchirillo,
Commissioner of the Division of Motor Vehicles v. Ameribank Inc. et al.
(Adversary Proceeding No. 06-2150)
In re: Clifford Ealy
(Case No. 03-22312 - U.S. Bankr. S.D. W. Va.)

In July 2003, Clifford Ealy d/b/a Howard Ealy Used Cars, located in Princeton, West Virginia, became insolvent and went out of business. The Division received numerous complaints from consumers who had purchased vehicles from Ealy and were unable to get the cars' titles. On October 3, 2003, Ealy filed Chapter 7 bankruptcy.

On September 25, 2006, the Attorney General and the Division of Motor Vehicles jointly filed an adversary proceeding in the bankruptcy court. The action asks the Court to take equitable jurisdiction of approximately 90 vehicles for which ownership and lien status is uncertain and to enter an order (1) declaring who owns each such vehicle; (2) who, if anyone, has a valid security interest in such vehicle; (3) which security interests and liens are extinguished; (4) which transactions are void; and (5) establishing appropriate remedies for the persons who claim any interest in such vehicles. The Attorney General subsequently filed documents supporting the various claims of 22 consumers who filed complaints with the Attorney General's Office. The matter is pending.

25.

State ex rel. Darrell V. McGraw, Jr. v. Minnesota Mining and
Manufacturing Company, et al.
(Civil Action No. 03-C-109 - Circuit Court of Lincoln County)

On August 6, 2003, the Attorney General sued Minnesota Mining and Manufacturing Company, Mine Safety Appliances Company, and American Optical

Corporation in the Circuit Court of Lincoln County. The State alleged that the Defendants had violated the Act by falsely advertising the capabilities of the dust masks they sold, which are used in industrial settings. Specifically, the State alleged that although the dust masks were marketed as being safe and effective, the masks repeatedly failed. The Defendants removed the case to the United States District Court for the Southern District of West Virginia. In January 2005, the case was remanded to state court. The matter is pending.

26.

State ex rel. Darrell V. McGraw, Jr. v. Charles Roth,
d/b/a Valley Pools and Spas Construction, et al.
(Civil Action No. 05-C-432 - Circuit Court of Putnam County)

In late 2005, the Division filed suit against Charles Roth (Roth), a Dunbar resident who for years had been installing swimming pools and other home improvements under the name Valley Pools and Spas Construction. Consumers complained that when they contacted Roth, he submitted impressive proposals with low bids and promises of “15-year” warranties. However, once work began and Roth had received significant payments, consumers reported that Roth walked away without completing the jobs he was paid to perform. Roth became increasingly difficult to reach, and ignored consumers’ pleas that he return to finish the job. Some consumers reported that if they insisted he make all the repairs prior to final payment, Roth would threaten them.

In January of this year, the Circuit Court of Putnam County entered a preliminary injunction barring Roth from any home improvement business until the case is resolved. Since that time, the Division learned that Roth was doing business under a contractor’s

license held by his wife, Julika Roth. On October 20, 2006, Mrs. Roth was added as a Defendant to the lawsuit. The trial is set for January 29, 2007.

27.

State ex rel. Darrell V. McGraw, Jr. v. Check Game Solutions, et al.
(Civil Action No. 06-C-755 - Circuit Court of Kanawha County)

In April 2006, the Division filed suit in the Circuit Court of Kanawha County against Check Game Solutions (CGS), a Florida collection agency, and its President, Catherine Key, of Vero Beach, Florida, for trying to collect money from West Virginia consumers based on door-to-door multiple magazine subscriptions. CGS's client, Universal Subscription Agency (Universal), sold its magazines using high pressure tactics. When consumers attempted to cancel the sale, Universal hired CGS to send debt collection letters to the consumers accusing them of writing the magazine company bad checks. CGS made fictitious threats of criminal prosecution in order to frighten consumers into paying off the subscription. The Division has secured a preliminary injunction barring CGS from doing any further business in the State until the case is resolved. Trial is set in the case for April 23, 2007.

28.

State ex rel. Darrell V. McGraw, Jr. v. Donna K. Diulus, et al.
(Civil Action No. 04-C-281 - Circuit Court of Marion County)

On August 31, 2004, the Attorney General sued Pennsylvania residents, Donna and Carmine Diulus d/b/a CMS Pools. CMS Pools sold above-ground swimming pools. In October 2004, the Court enjoined CMS Pools from doing business in West Virginia. On September 6, 2005, the Court granted the Attorney General's motion for summary

judgment for \$271,123.00.* The Court found that CMS Pools had made material omissions and misrepresentations in its advertising and had failed to provide consumers with notice of their three-day right to cancel. The order also prohibited the Defendants from doing business in West Virginia until the judgment is paid in full. The Division has domesticated this judgment in Pennsylvania and recorded the judgment lien in Allegheny County, Pennsylvania, where Defendants own a house.

29.

State ex rel. Darrell V. McGraw, Jr. v. Mr. Meats, et al.
(Civil Action No. 05-C-2694 - Circuit County of Kanawha County)

On December 12, 2005, the Attorney General sued Mr. Meats, and its owner, Bill Parsons. The lawsuit alleges that Mr. Meats sold poor quality meat door-to-door, misrepresented the type of meat being sold, failed to give consumers their three-day right to cancel, and failed to honor buyers' request to cancel the sale. The suit also alleges that Parsons does not have a food handling permit from the Kanawha-Charleston Health Department.

On January 9 and 10, 2006, a hearing was held on the preliminary injunction. The State offered several consumer witnesses and a witness from the Kanawha-Charleston Health Department. At the conclusion of the hearing, the Court issued a cease and desist order. Unfortunately, a written order has never been entered.

On May 15, 2006, the State filed a motion for summary judgment for the counts involving the three-day right to cancel. A hearing on this motion has been rescheduled four times.

30.

State ex rel. Darrell V. McGraw, Jr. v. Casey Cobbs, et al.
(Circuit Court of Kanawha County - 06-MISC-203)

On May 19, 2006, the Division filed a Petition to Enforce an Investigatory Subpoena when Casey Cobbs, d/b/a American Marketing Concepts, d/b/a C.L. Cobbs Promotions failed to comply with the subpoena. The Attorney General began investigating Casey Cobbs in 2005 after it received several complaints that he was selling advertising space on restaurant place mats that did not exist. Prior to the hearing on the Petition to Enforce, the Court informed the Attorney General's Office that Casey Cobbs was detained on criminal matters and the Division's hearing has not been rescheduled. Mr. Cobbs is still incarcerated.

31.

State ex rel. Darrell V. McGraw, Jr. v. Coupon Connection of America, Inc., et al.
(Civil Action No. 05-C-81 - Circuit Court of Lincoln County)

On May 24, 2005, the Division filed a lawsuit against Coupon Connection of America, Inc., a Texas corporation, and its two principals. The lawsuit alleged that the Defendants operated a pyramid scheme and committed several unfair or deceptive acts or practices, such as misrepresenting the money making potential of the program. Subsequent to the filing of the lawsuit, the Attorney General learned that at least 12 West Virginia residents were victimized by Coupon Connection of America, Inc.'s scheme. On July 15, 2005, a temporary injunction hearing was held, and on November 18, 2005, the Court issued an injunction.

Subsequently, the Division learned that the Defendants were concealing their assets. On March 31, 2006, a second hearing was held. In this hearing, the Division

asked the Court to order the Defendants to post a bond, to grant default judgment against the Defendants for their failure to timely file an answer, and to resolve various discovery disputes. Also, at the hearing, Defendants argued that summary judgment should be granted in their favor. The Court has yet to issue a ruling on these matters.

32.

State ex rel. Darrell V. McGraw, Jr. v. Codycom, Inc. d/b/a Dishlink, et al.
(Civil Action No. 06-MISC-334 - Circuit Court of Kanawha County)

On August 14, 2006, the Attorney General sued Codycom, Inc. d/b/a Dishlink, and its principals, Randall D. Williams and Juanita Williams, after Dishlink defaulted on its obligations to the Attorney General under an Assurance of Discontinuance entered into on February 23, 2006. The Attorney General had commenced an investigation of the Ohio-based Dishlink after learning that the company sold satellite dish systems and programming to West Virginia consumers, without giving them notice of their three-day right to cancel.

In the Assurance, Dishlink agreed to comply with the law and to refund \$4,200.00* in unlawful early termination fees. After refunding only \$1,000.00, Dishlink advised the Attorney General that its business was closed and would not be able to meet the remainder of its obligations. After a hearing on October 2, 2006, at which Randall D. Williams and Juanita Williams appeared in person, the Circuit Court of Kanawha County ordered Dishlink to pay \$3,200.00,* plus court costs, and found that Randall and Juanita Williams were not personally liable for the debt.

State ex rel. Darrell V. McGraw, Jr. v. JBC Legal Group, PC, et al.
(Civil Action No. 04-C-2083 - Circuit Court of Kanawha County)

On July 28, 2004, the Attorney General sued JBC Legal Group, PC (JBC), and its officers. The suit alleged that JBC threatened to criminally prosecute consumers, harassed them by telephone, and refused to provide verification of debts when disputed.

On July 20, 2004, the Circuit Court of Kanawha County enjoined JBC from collecting debts in West Virginia pending further order of the Court. Shortly thereafter, JBC removed the case to federal court. On October 18, 2004, the United States District Court for the Southern District of West Virginia remanded the case back to the Circuit Court of Kanawha County. As of this date, the order enjoining JBC from collecting debts in West Virginia continues in effect. No trial has been scheduled.

B.

**ASSURANCES OF DISCONTINUANCE
AND SETTLEMENT AGREEMENTS**

If, after investigating a business, a lawyer in Attorney General McGraw's Consumer Protection Division determines that the company has engaged in conduct that violates the Act, he or she typically tries to settle the matter with the business without filing a lawsuit. Specifically, the attorney will ask the company to sign an Assurance of Discontinuance pursuant to W. Va. Code § 46A-7-107(2006) or enter into a Settlement Agreement. This approach has proven very successful. During this reporting period, the division has secured \$3,557,591.97 in refunds, cancellation of debt and products received. The companies that entered into Assurances of Discontinuance and settlement agreements with the Division during the reporting period are identified below.

1.

IN THE MATTER OF PINNACLE CREDIT SERVICES, LLC

In July 2006, the Attorney General began investigating Pinnacle Credit Services, LLC, of St. Louis Park, Minnesota, that purchases consumers' debts from creditors and then attempts to collect these debts from the consumers. The investigation was initiated after a consumer complained that she did not owe the debt Pinnacle was attempting to collect. The consumer had previously disputed this debt with another debt collector and provided proof that the debt was not hers. During the investigation, the Attorney General discovered that Pinnacle was not licensed to collect debts in West Virginia.

On October 5, 2006, Pinnacle entered into an Assurance of Discontinuance wherein it agreed to cease collections in West Virginia until it was properly licensed.

Pinnacle also agreed that all West Virginia accounts that it owned would be deleted from its records and that it would notify the three major credit reporting agencies to delete all references to these accounts from the consumers' credit reports. Pinnacle cancelled \$1,264,906.12 in debt and paid \$5,000.00 to be used by the Attorney General for consumer protection purposes. The total settlement value was \$1,269,906.12.

2.

IN THE MATTER OF J. KAZ, INC. d/b/a CRAFTMATIC OF PITTSBURGH

On September 20, 2006, the Division entered into an Assurance of Discontinuance with J. Kaz, Inc. d/b/a Craftmatic of Pittsburgh (Kaz), the West Virginia distributor of Craftmatic adjustable beds. Kaz sold Craftmatic adjustable beds door-to-door to elderly consumers throughout West Virginia. After receiving several complaints in conjunction with the sale of Craftmatic beds, the Attorney General's Office issued a subpoena to Kaz. The Attorney General's investigation focused on Kaz's deceptive price comparisons, false advertising, high pressure sales, violation of the home solicitation rule, and false claims of medical benefits.

The Assurance required Kaz to pay \$475,000.00. This amount included \$211,924.94 in cancelled debt and approximately \$225,597.43 in refunds. The remaining \$37,470.63 will be used for consumer education purposes. All 302 consumer complainants were allowed to keep their beds. In addition to the monetary relief and debt cancellation mentioned above, the settlement required Kaz to substantially alter its business practices. The majority of the reforms were identical to those set forth in a settlement reached by the Ohio Attorney General's Office in 2005.

3.

IN THE MATTER OF THE DEBT RELIEF INDUSTRY

Last year, Attorney General McGraw launched a major initiative to protect West Virginia consumers who had been victimized by companies offering a wide array of questionable debt relief services. Historically, non-profit credit counseling companies have offered consumers the service of establishing payment plans, called “debt management plans” (DMPs), with credit card banks and other unsecured creditors. These companies negotiate affordable payment plans that typically reduce the interest rates on consumers’ credit card accounts so they can eventually pay off the debt.

In recent years, an increasing number of unscrupulous credit counseling companies have exploited consumers by charging exorbitant up-front and monthly service fees for the DMPs. Such companies often fail to provide any beneficial credit counseling and, instead, systematically place all consumers in DMPs for the sake of receiving the fees regardless of whether the consumer would benefit from the DMP.

The Attorney General has also received several complaints about debt relief companies offering consumers a controversial approach to debt relief called “debt settlement” services. In this approach, the debt settlement companies advise consumers to stop making payments on their credit card accounts and are told to make their monthly payments to the debt settlement company instead. The money is placed into an account controlled by the debt settlement company. When the debt settlement company determines that enough money has been accumulated in the account, it attempts to negotiate lump sum settlements for each of the consumer’s accounts. These companies charge already cash-strapped consumers hefty up-front fees, monthly service fees, and

also charge a contingency fee of 20% or more of the amount saved whenever an account is settled.

During the current reporting period, the Attorney General reached settlements with two credit counseling companies that charged excessive fees. Those companies are identified below.

a.

Help Ministries, Inc. d/b/a Debt Free

On July 28, 2006, the Attorney General entered into an Assurance of Discontinuance with Help Ministries, Inc. d/b/a Debt Free, of Mesa, Arizona. The Attorney General commenced an investigation of Debt Free after receiving a complaint that the company was charging consumers a wide range of unlawful or excessive fees in connection with its credit counseling services, including up front fees, service fees in excess of seven percent of the amount paid by the consumer, credit education fees, monthly voluntary contribution fees, and administrative fees for failed electronic debits.

In the Assurance, Debt Free promised to refrain from charging any unlawful excessive fees in the future. Debt Free also promised to pay \$300,000.00 to the State, which will be used to make refunds to 1,034 West Virginia consumers.

b.

Cambridge Counseling Corp.

On May 8, 2006, the Attorney General entered into an Assurance of Discontinuance with Cambridge Counseling Corp. (Cambridge), of Agawam, Massachusetts. The Division commenced an investigation of Cambridge after receiving

complaints alleging that Cambridge had charged excessive fees to consumers for its credit counseling services.

In the Assurance, Cambridge agreed to refrain from charging consumers “set-up” or “up-front” fees and further agreed to refrain from charging monthly service fees in excess of seven percent of the monthly payment amount, the maximum fee that can be charged under West Virginia law. Cambridge also agreed to refrain from attempting to limit its liability to consumers and from requiring consumers to use its grievance procedure as the exclusive remedy for resolving disputes. Cambridge agreed to pay \$240,000.00 to the State, which will be used by the Attorney General to refund excessive fees charged to 1,593 West Virginia consumers.

4.

IN THE MATTER OF FINANCIAL ASSET MANAGEMENT SERVICES, INC.

On August 22, 2006, the Division entered into an Assurance of Discontinuance with Financial Asset Management Systems, Inc. (FAMS), a debt collection agency from Tucker, Georgia. The Attorney General’s investigation was prompted by a complaint from a consumer whose \$3,200.00 cell phone bill increased by \$500.00 after it was referred for collection. West Virginia law prohibits debt collectors from charging fees or expenses incidental to the principal obligation of a debt. Under the terms of the Assurance, FAMS agreed to stop adding unlawful collection fees to consumer accounts and provided \$40,883.62 in refunds and cancelled \$249,173.48 in debt for 3,125 West Virginia consumers. The total settlement value is \$290,057.10.

5.

**IN THE MATTER OF DENT-A-MED, INC. d/b/a HC PROCESSING
d/b/a THE HELP CARD**

On September 21, 2006, the Division entered into an Assurance of Discontinuance with Dent-A-Med, Inc., an Arkansas company that financed the purchase of Craftmatic beds for Kaz. The Division's main concern was the door-to-door seller's use of spurious open-ended credit. Federal law requires certain disclosures to be made with closed-ended credit transactions (automobile loan), but it does not require those same disclosures in open-ended credit transactions (Visa/MasterCard). For example, in open-end credit transactions, the creditor must "reasonably contemplate" that there will be repeat transactions. Only 1 of the 221 sales Dent-A-Med, Inc. financed for Kaz made a repeat purchase using her credit card.

The agreement required Dent-A-Med, Inc. to do the following: (1) cancel the debt of the 71 Kaz consumers who filed a complaint with the Attorney General's Office; (2) reduce the annual percentage rate from 21% to 0% for the 156 Kaz consumers who did not file a complaint with the Division; and (3) cease offering open-end credit for door-to-door sales in West Virginia. The settlement resulted in \$136,155.72 of savings for West Virginia consumers.

6.

IN THE MATTER OF STATE FARM MUTUAL INSURANCE COMPANY

On January 10, 2005, the Division, 48 other states, and the District of Columbia entered into an Assurance of Discontinuance with State Farm Mutual Insurance Company (State Farm). After conducting an internal audit, State Farm discerned it had declared

approximately 30,000 to 40,000 vehicles as total losses, but had not properly branded the cars' titles. Typically, when insurance companies take ownership of vehicles that have been declared total losses, the car's title must be branded as "salvage" or "reconstructed." This brand provides notice to any subsequent purchaser that the vehicle has sustained major damage and that it is not worth as much as a similar car with an unbranded title.

Under the terms of the settlement, State Farm agreed to pay \$40,000,000.00* to consumers who purchased vehicles that should have had, but did not have, branded titles. In order to locate consumers, State Farm worked with the departments of motor vehicles across the country to identify the current owners of the subject vehicles and offer them a payment representing the reduced value of their car. Forty-seven West Virginia consumers received a total of \$124,142.50.

7.

IN THE MATTER OF TIME, INC.

On March 21, 2006, the Attorney General announced that he, along with 22 other states, entered into an Assurance of Discontinuance with Time, Inc. The Assurance alleged Time was billing consumers or charging their credit cards for unwanted magazine subscriptions. Instead of following the long-standing industry tradition of limited-term subscriptions renewed at the customer's option at the end of the subscription term, Time initiated an automatic renewal policy which placed the onus of cancelling the subscription on the consumer. Time did not adequately inform consumers of this change. Time also mailed consumers solicitations that appeared to be invoices.

In West Virginia, 984 consumers were eligible to receive \$35,940.14 in refunds. In addition, Time paid \$4,500,000.00* to the states for their costs and fees. West Virginia received \$75,000.00. Finally, Time agreed to various injunctive relief, including providing clear and conspicuous disclosures to consumers concerning all of the material terms for automatic subscription renewals. The total settlement value was \$110,940.14.

8.

IN THE MATTER OF PAYDAY LENDING

Last year, Attorney General McGraw launched a major initiative to educate consumers about the hazards of payday lending. Although prohibited in West Virginia, some payday lenders have attempted to circumvent the law by partnering with national banks or banks that are chartered in states with no usury laws. Beginning in November 2000, the Office of the Comptroller of the Currency (OCC), the federal agency that regulates national banks, expressed its concerns about the unsavory relationship with payday lenders. Ultimately, all national banks stopped partnering with payday lenders. This year, the Federal Deposit Insurance Corporation (FDIC), the agency which regulates state chartered banks, decided to adopt the OCC approach and similarly pressured state chartered banks to cease partnering with payday lenders. As a result of the FDIC's recent action, all remaining payday lenders with physical locations in West Virginia closed their offices in June 2006.

Notwithstanding the actions of the OCC and FDIC, many companies continue to circumvent West Virginia law by making payday loans to consumers over the Internet. In December 2005, Attorney General McGraw commenced an investigation of Internet

payday lenders after receiving numerous complaints from West Virginia consumers who have been victimized by these companies.

As a result of Attorney General McGraw's initiative, 12 payday lenders have signed an Assurances of Discontinuance or settlement agreements to permanently cease payday lending activities and to refund all unlawful fees and charges back to West Virginia consumers. Following is a list of all assurances or settlement agreements entered into by the Attorney General with Internet payday lenders.

DATE	COMPANY	LOCATION	AMOUNT
May 5, 2006	Legend's Capital d/b/a AnyDayCash.com	Holladay, UT	\$4,760.38
May 11, 2006	GetCash911.com	San Diego, CA	\$875.00
May 19, 2006	Sordi, Inc. d/b/a Checks for Cash	Rockford, IL	\$423.00
May 25, 2006	CNC Funding	Albuquerque, NM	\$1,310.00
June 6, 2006	Star Light Financial	Albuquerque, NM	\$22,998.00
June 6, 2006	VIP Cash	Las Vegas, NV	\$5,110.00
Aug. 2, 2006	Payday Advance Plus, Inc.	Los Angeles, CA	\$1,147.49
Aug. 8, 2006	Elite Cash Advance	Salt Lake City, UT	\$875.00
Aug. 29, 2006	Judy Crow d/b/a Cash & Go	Ravenswood, WV	\$6,435.00
Oct. 25, 2006	FSM Processing, Inc.	Las Vegas, NV	\$20,295.00
Nov. 13, 2006	Arrowhead Investments, Inc.	Las Vegas, NV	\$22,795.00
Nov. 13, 2006	M1Y Direct	Las Vegas, NV	\$16,105.00
		Total	\$103,128.87

9.

IN THE MATTER OF DIRECTV, INC.

On December 2, 2005, the Attorney General joined 21 states in entering into an Assurance of Discontinuance with DirecTV, Inc. of El Segundo, California. The Assurance, which was the result of a long-standing multistate investigation, was prompted by consumer complaints across the nation alleging a wide range of unfair or deceptive sales practices by DirecTV in connection with the sale of its equipment, programming, and other products and services.

In the Assurance, DirecTV agreed to resolve consumer complaints in accordance with a special procedure agreed to by the states. DirecTV also agreed to pay the states a total of \$5,000,000.00* for use by their Attorneys General for consumer protection and other educational purposes. The State of West Virginia received \$100,000.00 as its proportionate share of the multistate settlement.

10.

IN THE MATTER OF MAIN SECURITY CENTER, LLC

On August 18, 2006, the Division entered into an Assurance of Discontinuance with Main Security Center, LLC, and Thomas Jamison of Phoenix, Arizona. The Division's investigation was prompted by complaints from senior citizens who received telemarketing calls from the business offering to "upgrade" their current identity theft programs. Consumers believed that they were being contacted by their banks or credit card companies regarding identity theft protection. The telemarketers took the consumers' credit card numbers and charged \$299.00 to their accounts. In return, all the consumers received was a hand-held paper shredder, a CD-ROM allegedly containing

anti-virus software, and copies of informational brochures published by the FTC that are available for free.

Under the terms of the Assurance, Main Security agreed to stop doing business in West Virginia and to provide the Attorney General with a list of every West Virginian whose credit card account had been charged. The Attorney General sent letters to the 297 affected consumers advising them how to dispute the fraudulent charges with their credit card companies. Most credit card issuers have cancelled the fraudulent charges. The approximate value in debt cancellation is \$88,800.00.

11.

IN THE MATTER OF NORVERGENCE, INC. AND POPULAR LEASING USA, INC.

On August 8, 2006, the Attorney General joined 17 other states in obtaining a settlement from Popular Leasing USA, Inc. (PLUSA), a company that had purchased millions of dollars in debts that originated from an apparent telecommunications scam. Beginning in 2003, NorVergence, Inc. began promising small businesses, churches, and other customers savings of 30% or more on their phone bills, including discounts on wireless services and Internet access, as long as they leased a special Matrix device for anywhere from \$400.00 to \$5,700.00 a month. The Matrix was actually a garden-variety piece of electronic equipment that was worth as little as \$500.00, and did not provide telephone or Internet services. The rental contracts contained language obligating customers to keep paying for the Matrix boxes, even if NorVergence went out of business.

After defrauding its customers, NorVergence quickly sold the consumers' leases to several finance companies, including PLUSA. Initially, PLUSA claimed it had the right to

collect the full amount owed under the lease agreements. After lengthy negotiations, PLUSA agreed to forgive 85% of balances owed by customers as of July 15, 2005. Across the country, PLUSA has agreed to forgive approximately \$15,000,000.00* in lease payments. For West Virginia consumers, the settlement includes \$80,999.82 in debt cancellation.

12.

IN THE MATTER OF PAYPAL

In September 2006, 28 Attorneys General entered into a settlement with PayPal for \$1,700,000.00.* West Virginia's portion of the settlement was \$59,500.00. The settlement required the web-based alternative payment company to provide adequate disclosures to consumers before they become PayPal members or before they used the PayPal's system to make payments. There were complaints that the company would unfairly freeze money held in the consumer's PayPal account. Other consumers alleged that they wanted to pay for their purchase with their credit card, but PayPal charged their checking accounts instead.

13.

**IN THE MATTER OF AQUION PARTNERS, LP
MANUFACTURER/DISTRIBUTOR OF RAINSOFT WATER TREATMENT SYSTEMS**

On March 3, 2003, the Division settled with Aquion Partners, LP (Aquion), the manufacturer of RainSoft water treatment systems. The agreement with Aquion offered full refunds and debt cancellation for all consumers who had purchased RainSoft systems from Advanced Water Solutions, Inc. and The Only Way Water Treatment Company f/k/a

CURE Water Treatment, Inc. if they filed a complaint with the Division by September 3, 2003. During the current year, the Division received confirmation that the last group of complainants had been relieved of paying \$43,294.12 in account balances.

14.

**IN THE MATTER OF HOME SOLICITATION SALES OF KIRBY
VACUUM CLEANERS FINANCED ON CREDIT CARDS ISSUED BY FIDELITY
FEDERAL BANK**

In November 2006, the Attorney General entered into a Settlement Agreement with HSBC Bank Nevada, N.A. (HSBC) of Salinas, California, that resolved the complaints of West Virginia consumers who purchased Kirby vacuum cleaners that were financed on credit cards issued by the now-defunct Fidelity Federal Bank (FFB). The Attorney General first commenced an investigation of FFB after receiving complaints from consumers who were misled about the financing terms. Among other things, the Attorney General found that, in many instances, FFB opened credit accounts for consumers who were not credit worthy and only extended a line of credit equal to the amount of the one-time purchase. In those cases, the line of credit did not replenish and consumers could not use the account to make other purchases. Many consumers also complained that they were not informed that the purchase would be placed on a credit card.

After FFB closed its doors, the accounts in question were sold to a variety of debt purchasers, including HSBC. In order to resolve the concerns of the Attorney General, HSBC agreed to close the accounts of all West Virginia consumers who complained to the Attorney General with a zero balance, cease all collection efforts, and delete all references to the account on the consumers' credit records. As a result of this action, 28

West Virginia consumers received cancelled debts totaling \$34,095.76 on their credit reports.

15.

**IN THE MATTER OF SABRATON CHRYSLER DODGE
AND DAIMLER CHRYSLER SERVICES NORTH AMERICA, LLC**

On January 5, 2006, the Attorney General entered into a settlement agreement with Sabraton Chrysler Dodge (Sabraton) of Morgantown, West Virginia and Daimler Chrysler Services North America, LLC (Daimler Chrysler). The Attorney General began investigating Sabraton after a consumer complained that the dealership had voided two valid contracts she signed for financing on a truck and then coerced her into signing a third contract at a higher interest rate. The third contract was signed by the consumer in the parking lot of a Lowe's store near Morgantown.

After he completed his investigation, the Attorney General determined that the first two contracts were enforceable and that Sabraton had failed to furnish the consumer with notice of her three-day right to cancel the third contract. In the agreement, Sabraton and Daimler Chrysler offered the consumer a new contract at 0% APR, saving the consumer \$15,506.03 in finance charges.

16.

IN THE MATTER OF TOYOBO

Zylon Body Armor was sold in the United States by Second Chance and manufactured by a Japanese company, Toyobo. The body armor was defective, and a multistate group of Attorneys General formed to investigate the two companies. Second

Chance filed bankruptcy, and while they were in bankruptcy, a nationwide private class action settlement was reached with Toyobo for \$29,000,000.00. The multistate group of Attorneys General were active in facilitating the claims process for police departments and sheriffs' offices who purchased the defective vests. As of September 14, 2006, the West Virginia law enforcement community has received \$14,162.00.

17.

IN THE MATTER OF R. W. HARSHBARGER, DDS

On March 9, 2006, the Division entered into an Assurance of Discontinuance with R. W. Harshbarger, DDS, of St. Albans, West Virginia. The Division commenced an investigation of Dr. Harshbarger after receiving a complaint that the dentist was adding unlawful debt collection fees, identified as "finance charges," to account balances of consumers who did not pay in full at the time of service. He also extended credit to consumers without providing the disclosures required by the federal Truth in Lending Act, 15 U.S.C. § 1637 (open-end credit) or 15 U.S.C. § 1638 (closed-end credit). In the Assurance, Dr. Harshbarger promised to refrain from charging debt collection fees or adding interest to consumers' account balances and to use financing documents that comply with the Truth in Lending Act in any future extensions of credit. He also provided refunds and fee cancellations in the amount of \$10,798.33 to approximately 378 consumers.

18.

IN THE MATTER OF CAPITOL MINI-STORAGE

On September 20, 2006, the Attorney General entered into an Assurance of Discontinuance with Easy Storage Limited Partnerships d/b/a Capitol Mini-Storage and Convenient Self Storage (Easy Storage), of Peninsula and New Philadelphia, Ohio. The Attorney General commenced an investigation of Easy Storage after receiving complaints that the company was charging West Virginia consumers excessive late fees and was not complying with the Self-Service Storage Lien Act.

In the Assurance, Easy Storage promised (1) to refrain from charging late fees in excess of \$10.00 or 10% of the monthly rental fee; (2) to refrain from enforcing self-service storage liens against occupants who allegedly defaulted without first furnishing a proper notice of default at least 60 days in advance; (3) to refrain from selling the contents of the occupant's unit at public auction or destroying the contents without first publishing a legal advertisement; (4) to refrain from locking consumers out of their storage units until they have been in default for at least 15 days and only if notice of the policy is properly posted; (5) to refrain from stating or implying to consumers that it has no duty of reasonable care in maintaining the self-service storage facility; and (6) to refrain from selling or offering to sell insurance or distributing informational brochures soliciting the sale of customer storage insurance.

Easy Storage also agreed to pay \$5,000.00 to the State of West Virginia and to issue refunds or account credits for all unlawful fees that had been charged. As a result of this action, Easy Storage issued cash refunds of \$1,095.04 and account credits of \$9,309.10 to 344 West Virginia consumers. The total settlement value is \$15,404.14.

19.

IN THE MATTER OF PDI MANAGEMENT SERVICES, INC.

On September 6, 2006, the Attorney General entered into a settlement agreement with PDI Management Services, Inc. (PDI) of Orange, California. The Attorney General commenced an investigation of PDI, a consumer debt collection agency, after receiving a complaint indicating that PDI did not have a certificate of authority to do business in West Virginia.

In the agreement, PDI promised to obtain all required licensing and certificates of authority in its future debt collection activities. PDI also zeroed out the accounts of two consumer complainants and notified credit bureaus to delete all references to the accounts from consumers' credit records, resulting in debt relief totaling \$9,282.24.

20.

**IN THE MATTER OF GWWV, INC. d/b/a ROYALTY CHOICE DISTRIBUTORS
d/b/a ROYAL FOODS d/b/a ELITE FOODS**

On September 6, 2006, the Attorney General entered into an Assurance of Discontinuance with GWWV, Inc. d/b/a Royalty Choice Distributors d/b/a Royal Foods d/b/a Elite Foods (GWWV), of Wesley Chapel and Tampa, Florida. The settlement required GWWV to refund \$7,853.45 to the 29 consumer complainants and pay \$1,000.00 to the Attorney General for consumer education purposes, for a total of \$8,853.45. GWWV is also required to make full refunds for any consumer who filed a meritorious complaint with the Attorney General by October 4, 2006. Since the settlement was signed, the Attorney General has received 12 additional complaints. Payment for the second phase of refunds has not been received as of the date of this

report. GWWV must also obtain all necessary food handling permits and licenses, comply with the FTC Rule, 16 CFR Part 429, and the Act.

21.

IN THE MATTER OF NATIONAL FINANCIAL SYSTEMS, INC.

On February 8, 2006, the Attorney General entered into an Assurance of Discontinuance with National Financial Systems, Inc. (NFS) of West Palm Beach, Florida. The Attorney General commenced an investigation of NFS, a consumer debt collection agency, after receiving a complaint that the company was making unlawful contacts with third parties under the pretext of obtaining "location information" when it had current information about where the consumer lived and worked. The Attorney General also found that NFS allegedly failed to send the required written notice advising consumers of their right to dispute debts within five days after its initial communication.

In the Assurance, NFS promised to comply with state and federal consumer protection laws in its future business practices. NFS also agreed to pay \$5,000.00 to the State to be used by the Attorney General for consumer protection and education purposes.

22.

**IN THE MATTER OF DOUG WARNER AND CELEBRE, LLC
d/b/a THAT'S MY BABY**

On October 6, 2006, the Attorney General entered into an Assurance of Discontinuance with Doug Warner and Celebre, LLC d/b/a That's My Baby (Celebre), of Kennesaw, Georgia. The Attorney General commenced an investigation of Celebre after

learning that Celebre was selling newborn baby photo packages and video services to consumers in their hospital rooms at Raleigh General Hospital without giving them notice of their three-day right to cancel.

In the Assurance, Celebre promised to furnish consumers with written notice of their three-day right to cancel in its futures sales. Celebre also agreed to pay \$5,000.00 to the State to be used by the Attorney General for consumer protection and education purposes.

23.

IN THE MATTER OF RAPID COMMUNICATIONS, LLC d/b/a RAPID CABLE

In September 2006, the Division entered into an Assurance of Discontinuance with Rapid Communications, LLC d/b/a Rapid Cable (Rapid Cable), of Morrison, Colorado. Consumers had complained that Rapid Cable was providing poor cable service on an ongoing basis. When consumers called to complain, the company would not answer the telephone or otherwise respond to customer service issues. In the Assurance, Rapid Cable agreed to respond to service problems within 24 hours of being contacted by consumers, offer credits for time in which cable service was not operating properly, and pay \$3,000.00 for consumer education purposes.

24.

IN THE MATTER OF ALLTELL COMMUNICATIONS, INC.

From May 25, 2005 through September 30, 2005, employees in two Alltel Wireless (Alltel) stores in West Virginia were telling consumers that there was a state law prohibiting the use of handheld cell phones while driving. In reality, there was no such

law in West Virginia, only proposed legislation. Employees made this misrepresentation in an attempt to coerce consumers into purchasing hands-free kits from Alltel. Hands-free kits are devices used for talking on cell phones without physically holding the cell phone. These store practices were documented in a news segment on WSAZ-TV news in Charleston, West Virginia in 2005.

On September 7, 2006, Alltel Communications, Inc. entered into an Assurance of Discontinuance with the Attorney General. Under the terms of the settlement, 1,470 West Virginia consumers who purchased a hands-free kit during the relevant period of time were notified by mail that they could receive a refund if they returned the hands-free kit and signed a form verifying that an Alltel employee told them it was against the law to operate a handheld cell phone while driving. To date, the Attorney General has distributed over \$2,523.24 in refunds to 43 West Virginia consumers. Alltel also bore all of the costs associated with administering the settlement.

25.

**IN THE MATTER OF ARLIE JOHNSON AND JODIE JOHNSON
d/b/a JOHNSON'S USED CARS**

On June 9, 2006, the Attorney General entered into an Assurance of Discontinuance with Arlie Johnson and Jodie Johnson d/b/a Johnson's Used Cars of Madison, West Virginia. The Attorney General commenced an investigation of Johnson's Used Cars after receiving a complaint indicating that it failed to make repairs covered by the implied warranty of merchantability. The Attorney General also determined that Johnson's Used Cars misled consumers about the safety of the vehicles and repossessed cars without furnishing consumers with proper notice of their ten-day right to

cure default. In the Assurance, Johnson's promised to comply with West Virginia law in its future business practices and paid \$2,500.00 in consumer restitution.

26.

IN THE MATTER OF ADVANTAGE AMERICA BENEFITS

The Attorney General opened his investigation of Advantage America Benefits (Advantage America) in May 2006 in response to complaints received from ten consumers. Advantage America Benefits was a "government grant" scam purporting to be operating from Winter Park, Florida.

Advantage America contacted West Virginia consumers by telephone and told them they had been awarded a government grant valued at between \$5,000.00 and \$12,000.00. Advantage America told consumers they had to pay a processing fee in order to receive the grants. The processing fees were electronically debited from consumers' bank accounts in amounts ranging from \$49.95 to \$500.00.

The Attorney General's investigation revealed that Advantage America's Winter Park, Florida address was an empty office suite. All mailed delivered to that address was being forwarded to the West Indies. The Attorney General was able to obtain \$2,416.22 in refunds for consumers from the third-party payment processor, Payment Processing Center.

27.

IN THE MATTER OF MARKWOOD CHEVROLET, INC.

The Division began an investigation of Markwood Chevrolet, Inc. (Markwood) of Keyser, West Virginia because of advertisements the company was running in local

newspapers. Markwood was running advertisements for new and used vehicles without using the “trigger” terms required by the Truth-In-Lending Act. Markwood entered into an Assurance of Discontinuance that required the business to comply with all provisions of the Act and the Truth-In-Lending Act. In addition, Markwood paid \$2,000.00 for consumer restitution and education.

28.

IN THE MATTER OF FREEDOM USED CARS

On September 19, 2006, the Division entered into an Assurance of Discontinuance with Freedom Used Cars, a dealership in Spencer, West Virginia. Freedom Used Cars sold a used car “as is” to a consumer in Looneyville, West Virginia for \$1,200.00. Shortly after the purchase, the motor failed and the dealership refused to fix it. West Virginia law prohibits “as is” sales. The Assurance required Freedom Used Cars to cease all “as is” sales and to buy back the car from the consumer.

29.

IN THE MATTER OF MPIS, INC. d/b/a MAGNUM P.I. SERVICES

On September 14, 2006, the Division entered into an Assurance of Discontinuance with MPIS, Inc. d/b/a Magnum P.I. Services, located in Keyser, West Virginia, and its owner, Jody Leatherman, a private investigator. The Attorney General began investigating MPIS, Inc. after he learned that it, along with several other Internet web sites, was the target of a federal investigation regarding the sale of personal cell phone data over the Internet. On its websites, MPIS offered to sell a log documenting

individuals' cell phone calls, including the times, dates, and duration of these calls, to third parties for \$189.99.

The records were not obtained directly by MPIS. Instead, MPIS purchased the information from 1st Source Information Specialists, Inc. and its owner Steven Schwartz. 1st Source Information Specialists, Inc. had been sued by several states' attorneys general for allegedly falsely representing themselves as a consumer or falsely representing themselves as an agent of the telecommunications carrier to obtain the private information. This process is known as "pretexting." MPIS paid 1st Source Information Specialists, Inc. for the improperly obtained information.

The Assurance required a \$2,000.00* payment to the Attorney General. To date, the Division has received \$1,350.00.

30.

IN THE MATTER OF CHARLES E. HURT, ATTORNEY AT LAW

On April 10, 2006, the Attorney General entered into a settlement agreement with Charles E. Hurt, Attorney at Law, of Charleston, West Virginia. The Attorney General commenced an investigation after receiving a complaint alleging that Mr. Hurt had added interest and collection fees to a consumer's account.

In the agreement, Mr. Hurt agreed to close the account with a zero balance, thereby relieving the consumer of the disputed debt of \$176.17. Mr. Hurt also promised to refrain from adding interest or other unlawful collection fees to such accounts and paid \$1,000.00 in consumer restitution.

31.

IN THE MATTER OF ART JERIN d/b/a JERIN'S SIDING AND WINDOWS

On June 12, 2006, the Attorney General entered into an Assurance of Discontinuance with Art Jerin d/b/a Jerin's Siding and Windows (Jerin) of Falling Waters, West Virginia. The Attorney General commenced an investigation of Jerin after receiving a complaint alleging that Jerin failed to furnish the consumer with notice of their three-day right to cancel. The Attorney General's investigation further found that Jerin had failed to substantially perform the home improvement contract, failed to fill in all relevant blank spaces on the home improvement contract, and represented to the consumers they would be charged 5% interest if the balance was not paid in full within 10 days of completion of the work, and would be assessed 25% of the unpaid balance in the event of default.

Jerin agreed to satisfactorily complete the job of the complainant and promised to comply with West Virginia law in the future. Jerin also paid \$1,000.00 in restitution.

32.

IN THE MATTER OF RANDY WHITE d/b/a WHITE'S CONTRACTING

On September 18, 2006, the Attorney General entered into an Assurance of Discontinuance with Randy White d/b/a White's Contracting (White) of Elkins, West Virginia. The Attorney General commenced an investigation of White after receiving a complaint disclosing that White was entering into home improvement transactions without furnishing consumers with their three-day right to cancel. The Attorney General also determined that White was representing that unpaid account balances would be subject

to an 18% finance charge. In the Assurance, White promised to refrain from engaging in the unlawful practices and forgive the disputed account balance of \$200.00.

33.

IN THE MATTER OF CAPTAIN STEAMER CARPET CLEANER

The Division began an investigation of Captain Steamer Carpet Cleaner (Captain Steamer) of Point Pleasant, West Virginia based on a consumer complaint that Captain Steamer was charging debt collection fees on accounts that were past due. Captain Steamer entered into an Assurance of Discontinuance that required the business to comply with all provisions of the Act and to refrain from adding any unlawful debt collection fees. In addition, Captain Steamer paid \$200.00 for consumer restitution.

34.

IN THE MATTER OF JUANITA AND CHARLES CALL

On December 19, 2005, the Attorney General entered into a settlement agreement with Juanita Call and Charles Call of Barboursville, West Virginia. The Attorney General commenced an investigation of the Calls after receiving a complaint indicating that the Calls, who rented residential dwelling units, charged or represented that they could charge late payment fees of \$50.00 for every month the consumer was late paying their rent. In addition, the landlord attempted to make the tenants responsible for repairs and maintenance of the dwelling unit. In the agreement, the Calls

agreed to refrain from engaging in the unlawful business practices in the future.

35.

IN THE MATTER OF THE INVESTIGATION OF 14 HEALTH SPAS

The Attorney General enforces Legislative Rule 142, Series 13 Health Spas, §142-13-1, et seq., which requires health spas to register annually with the Attorney General. During this reporting period 14 health spas failed to register. As a result of the Attorney General's investigation, these health spas have now complied with the law.

C.

ANTITRUST DIVISION

The Antitrust Division of the Office of the Attorney General is under the same management as the Consumer Protection Division and is charged with the responsibility of enforcing the West Virginia Antitrust Act, W. Va. Code § 47-18-1 et seq. The purpose of the Antitrust Act is to prevent unreasonable restraints of trade, monopolies, and attempts to monopolize trade. The Antitrust Division is staffed by one attorney and one paralegal. Under the Antitrust Act, the Attorney General is authorized to take legal action on behalf of the State and/or on behalf of its citizens to secure injunctive relief, restitution, civil penalties, damages, fees and costs. During this reporting period, the Antitrust Division secured \$8,925,082.50 for the State and its citizens.

ANTITRUST LITIGATION

1.

State ex rel. Darrell V. McGraw, Jr. v. Microsoft Corporation
(Civil Action No. 01-C-197 - Circuit Court of Boone County)

On December 3, 2001, Attorney General McGraw filed a lawsuit against Microsoft Corporation seeking damages caused to the State and its consumers because of Microsoft's unlawful antitrust activities. In this action, the State sought refunds for governmental entities and consumers who had purchased the Windows 98 operating system.

In June 2003, the State reached a settlement with Microsoft Corporation. Under the terms of the settlement, Microsoft offered to pay up to \$18,000,000.00* in vouchers that consumers and businesses could redeem on computer hardware and software. The

total amount received during this reporting period was \$8,925,082.50. These vouchers were given to qualifying public schools.

2.

State ex rel. Darrell V. McGraw, Jr. v. Warrick Pharmaceuticals Corporation, et al.
(Civil Action No. 01-C-3011 - Circuit Court of Kanawha County)

Typically, drug companies report their wholesale prices to a data gatherer who then supplies the information to Medicaid so that it can set reimbursement levels on the prices of prescription drugs. In October 2001, the State sued Warrick Pharmaceuticals Corporation, Dey, Inc., Abbott Laboratories, and Abbott Laboratories, Inc. claiming that the Defendants purposely inflated their reported prices to First Data Bank, an information gathering company, which allowed pharmacies to recover more money than they were entitled to from the government. The Division alleged that these companies submitted false prices to the data gatherer.

One of the Defendants, Dey, Inc. reached a settlement with the Attorney General in May 2004. Under the terms of the settlement, Dey, Inc. paid the State \$1,100,000.00.* The cases against the other two Defendants were separated for trial. The trial against Warrick concluded on December 7, 2005, and resulted in a verdict for Warrick. The State has appealed the verdict to the West Virginia Supreme Court of Appeals and arguments for accepting the appeal will be heard in January 2007. The trial against Abbott is scheduled for February 2007.

3.

State ex rel. Darrell V. McGraw, Jr. v. Acordia of West Virginia, Inc., et al.
(Civil Action No. 05-C-115W - Circuit Court of Hancock County)

After a five month investigation, the Attorney General sued Acordia, Inc. and Acordia of West Virginia, Inc. alleging violations of the Act and the Antitrust Act. Acordia, an insurance broker, acts as a middleman between a company wanting to purchase insurance and companies offering insurance policies. The suit alleged that Acordia failed to disclose the “backdoor” commissions that it received from its clients. Moreover, the State alleged that Acordia steered its customers to insurers that paid higher contingent commissions. Contingent commissions were paid, in part, based on the volume of business written by the broker and the profitability of the business written. The matter is pending.

4.

State ex rel. Darrell V. McGraw, Jr. v. Visa U.S.A., Inc., et al.
(Civil Action No. 03-C-551 - Circuit Court of Ohio County)

On October 27, 2003, Attorney General McGraw sued Visa U.S.A., Inc. and MasterCard International, Inc. alleging violations of the Act and the Antitrust Act. The lawsuit alleged that the companies used their market power with general purpose credit cards to force merchants to accept their branded debit cards. General purpose credit cards are widely used throughout the United States for making purchases on credit. Debit cards are used in place of writing a check. The complaint further alleged that this unlawful tying arrangement forced retailers to increase prices on goods and services causing consumers to pay more for products than they would have absent the unlawful arrangement. In October 2005, the Court denied the Defendants’ request to dismiss the

action. Defendants appealed the decision to the West Virginia Supreme Court of Appeals. The Court refused the petition and returned the matter to the trial court in early 2006. The matter is pending.

5.

State of California, et al. v. Infineon Technologies AG, et al.
(3:06- CV-04333 PJH - U.S.D.Ct. Northern District of California)
(MDL No. 1486 - San Francisco Division, Northern District of California)

On July 14, 2006, the Division filed a complaint against Infineon Technologies AG; Infineon Technologies North America Corp.; Hynix Semiconductor, Inc.; Hynix Semiconductor America, Inc.; Micron Technology, Inc.; Micron Semiconductor Products, Inc.; Mosel Vitelic, Inc.; Mosel Vitelic Corp.; Nanya Technology Corporation USA, Inc.; Nanya Technology Corporation; Elpida Memory, Inc.; Elpida Memory (USA) Inc.; NEC Electronics America, Inc. These companies and others are charged with conspiring to fix the prices of dynamic random access memory computer chips. The computer memory chips are used in personal computers, laptop computers and other electronic devices such as cell phones and personal digital assistants. Several of the companies have pled guilty to price fixing. Defendants have filed motions to dismiss against West Virginia and the other states and the motions are under consideration.

D.

PRENEED FUNERAL UNIT

Attorney General McGraw's Preneed Funeral Unit is responsible for recording and regulating the sale, management, and execution of preneed funeral contracts. The Preneed Funeral Unit consists of an auditor, an administrative assistant, a part-time clerk, and a part-time lawyer.

There are currently 273 funeral homes and 33 cemeteries licensed to sell preneed funeral contracts. The Preneed Funeral Unit has two funded accounts. The West Virginia Preneed Regulation Fund (the Regulation Fund) was established to pay for the administration of the Preneed Funeral Unit and is funded by fees paid by consumers and funeral homes. The West Virginia Preneed Guarantee Fund (the Guarantee Fund) was established to serve as an insurance account to protect consumers in the event a funeral home is financially unable to fulfill its preneed contractual obligations. As of November 15, 2006, the Regulation Fund had a balance of \$261,548.74 and the Guarantee Fund had a balance of \$794,636.05.

The Preneed Funeral Unit also resolves consumer complaints relating to preneed funeral contracts through its mediation process. This year, the Preneed Funeral Unit secured \$561.97 in refunds through mediation for consumers.

1.

PRENEED FUNERAL UNIT LITIGATION

State ex rel. Darrell V. McGraw, Jr. v. Bartolo Funeral Home, Inc., et al. **(Civil Action No. 04-C-361-2 - Circuit Court of Harrison County)**

In 2004, the Division filed a lawsuit against Bartolo Funeral Home, Inc., and its owner, James F. Bartolo (Bartolo), in the Circuit Court of Harrison County, alleging that the funeral home had misappropriated funds paid by consumers for preneed funeral contracts. When Bartolo ceased doing business at his Clarksburg funeral home in 2003, the Preneed Funeral Unit began receiving complaints that the funeral director was refusing to refund money paid for preneed funeral contracts. The Preneed Funeral Unit performed an audit, which revealed 50 preneed funeral contracts that Bartolo had failed to report to the Attorney General, and 37 instances where Bartolo had failed to report the withdrawal of consumers' money after servicing their contracts. The Attorney General learned that instead of depositing consumers' funds in trust accounts, Bartolo kept more than \$170,000.00* of consumers' money and squandered it for other, unknown purposes.

The Attorney General sued Bartolo, seeking to freeze his assets and obtain restitution for all consumers. Bartolo agreed to settle the lawsuit by paying restitution and agreeing to a permanent injunction banning him from selling or servicing preneed funeral contracts. Eventually, the Attorney General paid out over \$149,218.39* to consumers from the Guarantee Fund. Currently, the Attorney General is collecting monthly payments from Bartolo to reimburse the Guarantee Fund and collected \$6,000.00 from Bartolo during this reporting period.

2.

**PRENEED FUNERAL UNIT ASSURANCES OF DISCONTINUANCE
AND SETTLEMENT AGREEMENTS**

As part of its responsibility to regulate the sale of preneed funeral contracts, the Preneed Funeral Unit conducts audits to ensure that funeral providers are managing their consumers' preneed funeral accounts in accordance with state law. When audits reveal violations, funeral providers are asked to sign an Assurance of Discontinuance. The most common violations discovered during preneed funeral audits are the failure to report preneed funeral contracts to the Preneed Funeral Unit within 10 days of execution, and the failure to submit a Report of Death Beneficiary after servicing a preneed funeral contract. During the 2006 reporting period, nine funeral providers signed an Assurance of Discontinuance to resolve these violations. Those funeral homes are identified below.

FUNERAL HOME	LOCATION	CONTRACTS Failure to Register	CONTRACTS Failure to File Death Beneficiary Forms	CONTRACTS Other Violations	FILING FEES AND COSTS
Taylor Funeral Home, Inc.	Spencer, WV	3	61		\$4,410.00
Leonard Johnson Funeral Home, Inc. d/b/a Barlow-Bonsall Funeral Home	Charleston, WV	34	162		\$3,860.00
Deal Funeral Home, Inc.	Point Pleasant, WV	25	11	13	\$3,095.00
Crow-Hussell Funeral Home, Inc.	Point Pleasant, WV	23	56	7	\$2,400.00
Reasner of Wellsburg, Inc. d/b/a Reasner Funeral Home	Wellsburg, WV	17	71		\$2,965.00
Fidler & Frame Funeral Home, Inc.	Belle, WV	15	17		\$1,290.00
Morris Funeral Home, Inc.	Wayne, WV	3	61		\$1,125.00
Johnson-Nichols Funeral Home, Inc.	Wayne, WV	4	2		\$300.00
McConnell Funeral Home	Bluefield, WV	Failure to renew Certificate of Authority and licenses to sell preneed funeral contracts for 2006			\$500.00
Total Filing Fees and Costs					\$19,945.00

VI.

CONCLUSION

2006 was another successful year for the Consumer Protection and Antitrust Divisions in that they recovered \$69,409,945.62 for consumers and the State. Attorney General McGraw is pleased by this figure, but cautions the reader against too narrow a focus on it. Such a focus is natural – we grasp the tangible more quickly and securely than the intangible – and, in this, the world's greatest market economy, dollar signs draw the most attention. Attorney General McGraw believes that, substantial as it is, this particular dollar sign grossly undervalues his office's efforts.

How? First of all, many or most of the thousands of mediations conducted this year might have become lawsuits, increasing the expenses of both parties and clogging the State's overburdened courts with small claims.

Second, in several instances this past year, the Division was simply ahead of the curve, snuffing out incipient consumer abuse before it caused widespread damage. For example, the Division secured hundreds of thousands of dollars for consumers who were victims of international advance fee loan scams, unlawful debt collection practices, fraudulent payday lenders, and spurious open-end credit in door-to-door sales. The amount the exploiters of such practices might have fleeced from West Virginia consumers had the practices proliferated and become established can never be known.

Finally, there is a commodity with a value that utterly defies expression in dollars and cents: education. A consumer who learns how to protect himself is less likely to be harmed; a business that learns where the law draws its lines is less likely to transgress them. Thus, education is the linchpin of preventing consumer fraud and abuse in the first

place, with the happy dividend of reducing demand for mediation and litigation. Ideally, Attorney General McGraw would rather be a teacher of dispute avoidance than a player in dispute resolution. While that ultimate ideal is perhaps unattainable, all progress toward it benefits our State and citizens.

Respectfully submitted,

Darrell V. McGraw, Jr.
Attorney General

Exhibit 1

COMPARISONS

2006	2005	2004	2003	2002	2001	
MEDIATION COMPLAINTS						
Complaints Received	9,766	8,683	9,143	8557	8,573	8,080
Complaints Closed	10,830	9,591	9,581	9511	8,934	8,572
Restitution	\$ 2,187,728.89	\$ 1,849,372.13	\$ 2,496,207.75	\$ 2,300,282.00	\$ 1,690,726.15	\$ 1,284,772.76
CONSUMER PROTECTION						
Litigation	\$54,713,035.29	\$62,912,498.42	\$58,404,584.00	\$71,225,894.80	\$66,170,098.77	\$61,684,366.53
Assurances	\$ 3,557,591.97	\$18,210,610.49	\$ 4,916,377.30	\$ 859,270.62	\$ 857,852.95	\$ 1,683,951.90
ANTITRUST						
Litigation & Assurances	\$ 8,925,082.50	\$ 5,097,957.34	\$ 4,070,916.34	\$ 1,741,992.55	\$ 6,525,816.90	\$ 548,724.30
PRENEED FUNERAL UNIT						
Litigation & Assurances	\$ 26,506.87	\$ 234,967.14	\$ 146,214.97	\$ 98,613.07	\$ 62,134.48	\$ 63,807.85
TOTAL						
RESTITUTION	\$69,409,945.62	\$88,305,405.52	\$70,034,300.36	\$76,226,053.04	\$75,306,629.25	\$65,265,623.34

COMPARISONS

	2000	1999	1998	1997	1996	1995
MEDIATION COMPLAINTS						
Complaints Received	7,929	8,891	8,903	7,106	6,691	5,516
Complaints Closed	8,342	9,830	8,007	7,252	5,858	4,809
Restitution	\$ 1,872,763.62	\$1,230,609.05	\$ 946,267.05	\$1,121,614.54	\$ 594,652.44	\$453,300.46
CONSUMER PROTECTION						
Litigation	\$51,179,434.48	\$ 963,570.47	\$ 413,924.83	\$1,710,739.92	\$ 932,192.90	\$128,252.95
Assurances	\$ 830,283.36	\$3,814,322.30	\$3,679,326.10	\$2,323,153.67	\$1,316,375.40	\$ 57,031.58
ANTITRUST						
Litigation Assurances	\$ 262,000.00	\$ 26,000.00	----	\$ 220,950.14	\$ 342,600.00	\$266,837.00
PRENEED FUNERAL UNIT						
Litigation Assurances	\$ 465,663.99	\$3,082,033.34	\$ 322,557.98	\$ 139,511.30	\$ 123,319.45	\$ 7,175.00
TOTAL						
RESTITUTION	\$54,610,145.45	\$9,116,535.16	\$5,362,075.96	\$5,515,969.57	\$3,309,140.19	\$912,596.99

2005 - 2006 COMPARISONS

2006	2005	2005-2004 Difference	%	
MEDIATION COMPLAINTS				
Complaints received	9,766	8,683	1,083	12%
Complaints closed	10,830	9,591	1,239	13%
Restitution	\$ 2,187,728.89	\$ 1,849,372.13	\$338,356.76	18%
CONSUMER PROTECTION				
Litigation	\$54,713,035.29	\$62,912,498.42	- \$8,199,463.13	- 13%
Assurances	\$ 3,557,591.97	\$18,210,610.49	- \$14,653,018.52	- 80%
ANTITRUST				
Litigation - Assurances	\$ 8,925,082.50	\$ 5,097,957.34	\$3,827,125.16	75%
PRENEED FUNERAL UNIT				
Litigation - Assurances	\$ 26,506.87	\$ 234,967.14	- \$208,460.27	- 89%
TOTAL				
RESTITUTION	\$69,409,945.62	\$88,305,405.52	- \$18,895,459.90	- 21%

CPD TOTAL COMPARISON WITHOUT TOBACCO

			2005		2006	
2005 Total	\$88,305,405.52					
2006 Total	\$69,409,945.62		Total	\$88,305,405.52	Total	\$69,409,945.62
	2005 Tobacco	\$56,511,981.22	Tobacco	- \$56,511,981.22	Tobacco	- \$51,863,412.00
	2006 Tobacco	\$51,863,412.00	Total Without Tobacco	\$31,793,424.30	Total Without Tobacco	\$17,546,533.62

PERCENTAGE COMPARISON WITHOUT TOBACCO

2006	2005	2005-2006 DIFFERENCE	%
\$17,546,533.62	\$31,793,424.30	- \$14,246,890.68	- 45%

Exhibit 2

CONSUMER PROTECTION AND ANTITRUST DIVISIONS

Complaints Received	9,766
Complaints Closed	10,830
Mediation - Refunds, Debt Cancellation, Value Received	\$2,187,728.89
Consumer Protection Litigation	\$54,713,035.29
Consumer Protection Assurances and Settlements	\$3,557,591.97
Antitrust Division	\$8,925,082.50
Preneed Unit	\$26,506.87
Consumer Protection Division Total	\$69,409,945.62

CONSUMER PROTECTION LITIGATION

<u>Darrell V. McGraw, Jr., Attorney General, ex rel. State of West Virginia; the West Virginia Public Employees Insurance Agency; and the West Virginia Department of Health and Human Resources v. The American Tobacco Company, et al.</u>	
Civil Action No. 94-C-1707 - Circuit Court of Kanawha County	\$51,863,412.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Purdue Pharma, LP, et al.</u>	
Civil Action No. 01-C-137-S - Circuit Court of McDowell County	\$2,500,000.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Ameriquest Mortgage Company, et al.</u>	
Civil Action No. 06-C-519 - Circuit Court of Kanawha County	\$125,000.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Imperial Marketing, et al.</u>	
Civil Action No. 94-C-243 - Circuit Court of Kanawha County	\$50,000.00
<u>State ex rel. Darrell V. McGraw, Jr. v. H & H Windows Unlimited, Inc.</u>	
Civil Action No. 03-C-3075 - Circuit Court of Kanawha County	\$60,232.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Air Doc Services & Supply Company, et al.</u>	
Civil Action No. 05-C-414 - Circuit Court of Mercer County	
Case No. 05-10819 - U.S. Bankr. S.D. W. Va.	\$29,564.50
<u>State ex rel. Darrell V. McGraw, Jr. v. Wholesale Used Cars, Inc.</u>	
Civil Action No. 03-C-2839 - Circuit Court of Kanawha County	\$22,887.50

<u>State ex rel. Darrell V. McGraw, Jr. v. Mountaineer Roofing & Siding, Inc., et al.</u> Civil Action No. 06-C-946 - Circuit Court of Kanawha County	\$25,000.00
<u>State ex rel. Darrell V. McGraw, Jr. v. William R. Hague, et al.</u> Civil Action No.: 05-MISC-436 - Circuit Court of Kanawha County	\$10,000.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Carl Crowder, et al.</u> Civil Action No. 05-C-88 - Circuit Court of Kanawha County	\$8,667.99
<u>State ex rel. Darrell V. McGraw, Jr. v. Greg Maynor, individually and d/b/a Greg's Tree Service</u> Civil Action No. 01-C-622 - Circuit Court of Kanawha County	\$5,480.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Huey Small d/b/a H & S Paving, et al.</u> Civil Action No. 97-C-1041 - Circuit Court of Kanawha County	\$3,500.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Precision Windows and Doors, LLC, et al.</u> Civil Action No. 06-C-0699 - Circuit Court of Kanawha County	\$3,978.50
<u>State ex rel. Darrell V. McGraw, Jr. v. Christopher Scott Long, et al.</u> Civil Action No. 04-C-818 - Circuit Court of Kanawha County	\$3,046.13
<u>State ex rel. Darrell V. McGraw, Jr. v. Appalachian Heating and Cooling, Inc., et al.</u> Civil Action No. 06-C-1089 - Circuit Court of Kanawha County	\$1,000.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Brian D. Griffith d/b/a Healthy Inspirations of Charles Town and Martinsburg, et al.</u> Civil Action No. 06-C-409 - Circuit Court of Berkeley County	\$850.00
<u>State ex rel. Darrell V. McGraw, Jr. v. Alyon Technologies, Inc., et al.</u> Civil Action No. 03-C-1197 - Circuit Court of Kanawha County	\$416.67

ASSURANCES OF DISCONTINUANCE AND SETTLEMENT AGREEMENTS

IN THE MATTER OF PINNACLE CREDIT SERVICES, LLC	\$1,269,906.12
IN THE MATTER OF J. KAZ, INC. d/b/a CRAFTMATIC OF PITTSBURGH . .	\$475,000.00
IN THE MATTER OF THE DEBT RELIEF INDUSTRY	\$540,000.00
Help Ministries, Inc. d/b/a Debt Free	\$300,000.00
Cambridge Counseling Corp.	\$240,000.00
IN THE MATTER OF FINANCIAL ASSET MANAGEMENT SERVICES, INC.	\$290,057.10

IN THE MATTER OF DENT-A-MED, INC. d/b/a HC PROCESSING d/b/a THE HELP CARD	\$136,155.72
IN THE MATTER OF STATE FARM MUTUAL INSURANCE COMPANY	\$124,142.50
IN THE MATTER OF TIME, INC.	\$110,940.14
IN THE MATTER OF PAYDAY LENDING	\$103,128.87
Legend's Capital d/b/a AnyDayCash.com	\$4,760.38
GetCash911.com	\$875.00
Sordi, Inc. d/b/a Checks for Cash	\$423.00
CNC Funding	\$1,310.00
Star Light Financial	\$22,998.00
VIP Cash	\$5,110.00
Payday Advance Plus, Inc.	\$1,147.49
Elite Cash Advance	\$875.00
Judy Crow d/b/a Cash & Go	\$6,435.00
FSM Processing, Inc.	\$20,295.00
Arrowhead Investments, Inc.	\$22,795.00
M1Y Direct	\$16,105.00
IN THE MATTER OF DIRECTV, INC.	\$100,000.00
IN THE MATTER OF MAIN SECURITY CENTER, LLC	\$88,800.00
IN THE MATTER OF NORVERGENCE, INC. AND POPULAR LEASING USA, INC.	\$80,999.82
IN THE MATTER OF PAYPAL	\$59,500.00
IN THE MATTER OF AQUION PARTNERS, LP MANUFACTURER/DISTRIBUTOR OF RAINSOFT WATER TREATMENT SYSTEMS	\$43,294.12
IN THE MATTER OF HOME SOLICITATION SALES OF KIRBY VACUUM CLEANERS FINANCED ON CREDIT CARDS ISSUED BY FIDELITY FEDERAL BANK	\$34,095.76
IN THE MATTER OF SABRATON CHRYSLER DODGE AND DAIMLER CHRYSLER SERVICES NORTH AMERICA, LLC	\$15,506.03
IN THE MATTER OF TOYOBO	\$14,162.00
IN THE MATTER OF R. W. HARSHBARGER, DDS	\$10,798.33
IN THE MATTER OF CAPITOL MINI-STORAGE	\$15,404.14
IN THE MATTER OF PDI MANAGEMENT SERVICES, INC.	\$9,282.24

IN THE MATTER OF GWWV, INC. d/b/a ROYALTY CHOICE DISTRIBUTORS d/b/a ROYAL FOODS d/b/a ELITE FOODS	\$7,853.45
IN THE MATTER OF NATIONAL FINANCIAL SYSTEMS, INC.	\$5,000.00
IN THE MATTER OF DOUG WARNER AND CELEBRE, LLC d/b/a THAT'S MY BABY	\$5,000.00
IN THE MATTER OF RAPID COMMUNICATIONS, LLC d/b/a RAPID CABLE	\$3,000.00
IN THE MATTER OF ALTELL COMMUNICATIONS, INC.	\$2,523.24
IN THE MATTER OF ARLIE JOHNSON AND JODIE JOHNSON d/b/a JOHNSON'S USED CARS	\$2,500.00
IN THE MATTER OF ADVANTAGE AMERICA BENEFITS	\$2,416.22
IN THE MATTER OF MARKWOOD CHEVROLET, INC.	\$2,000.00
IN THE MATTER OF FREEDOM USED CARS	\$1,200.00
IN THE MATTER OF MPIS, INC. d/b/a MAGNUM P.I. SERVICES	\$1,350.00
IN THE MATTER OF CHARLES E. HURT, ATTORNEY AT LAW	\$1,176.17
IN THE MATTER OF ART JERIN d/b/a JERIN'S SIDING AND WINDOWS	\$1,000.00
IN THE MATTER OF RANDY WHITE d/b/a WHITE'S CONTRACTING	\$200.00
IN THE MATTER OF CAPTAIN STEAMER CARPET CLEANER	\$200.00

ANTITRUST LITIGATION

<u>State ex rel. Darrell V. McGraw, Jr. v. Microsoft Corporation</u> Civil Action No. 01-C-197 - Circuit Court of Boone County	\$8,925,082.50
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PRENEED FUNERAL UNIT LITIGATION

State ex rel. Darrell V. McGraw, Jr. v. Bartolo Funeral Home, Inc., et al.

Civil Action No. 04-C-361-2 - Circuit Court of Harrison County \$6,000.00

PRENEED FUNERAL UNIT

ASSURANCES OF DISCONTINUANCE AND SETTLEMENT AGREEMENTS

IN THE MATTER OF TAYLOR FUNERAL HOME, INC. \$4,410.00

IN THE MATTER OF LEONARD JOHNSON FUNERAL HOME, INC.
d/b/a BARLOW-BONSALL FUNERAL HOME \$3,860.00

IN THE MATTER OF DEAL FUNERAL HOME, INC. \$3,095.00

IN THE MATTER OF CROW-HUSSELL FUNERAL HOME, INC. \$2,400.00

IN THE MATTER OF REASNER OF WELLSBURG, INC.
d/b/a REASNER FUNERAL HOME \$2,965.00

IN THE MATTER OF FIDLER & FRAME FUNERAL HOME, INC. \$1,290.00

IN THE MATTER OF MORRIS FUNERAL HOME, INC. \$1,125.00


IN THE MATTER OF MCCONNELL FUNERAL HOME \$500.00


IN THE MATTER OF JOHNSON-NICHOLS FUNERAL HOME, INC. \$300.00

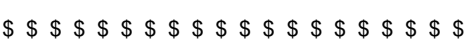
Exhibit 3

MEDIATION

Written complaints received during reporting period  9,766

Written complaints closed during reporting period  10,830

Written complaints pending for reporting period  497

Cash refunds received by consumers from mediation during reporting period  \$546,228.17

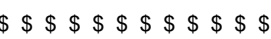
Value and Debt Cancellation received by consumers from mediation during reporting period  \$1,641,500.72

Exhibit 4

